

**ACCOUNTING AND AUDIT POLICY COMMITTEE MEETING
FINAL MINUTES
May 24, 2005**

The meeting was convened at 1:05 PM in room 6N30 of the GAO Building, 441 G St., NW, Washington, DC.

ADMINISTRATIVE MATTERS

• **Attendance**

Present: Ms. Comes, Ms. George, Ms. Krell, Messrs. Campbell, James (by telephone), Allan Lund (for Sturgill), McFadden, Maharay, Taylor, and Dingbaum.

Absent: Messrs. Moraglio and Sturgill

• **Minutes**

The minutes of November 19, 2004 were previously approved as final, having been circulated by E-mail to members.

• **AAPC Operating Procedures and Charter**

Ms. Comes opened the meeting by explaining to the Committee that the AAPC Charter and Operating Procedures are normally slated to be reviewed every two years and given the recent difficulties with the AAPC's "voting block" voting structure this review was included on the agenda for discussion. Ms. Comes asked the members how they felt about the current voting block structure and whether or not a committee should be formed to review the charter and operating procedures and make recommendations to the full Committee.

Ms. Comes specifically asked the Committee if they were to change from the voting block structure would they prefer a super majority or a simple majority. A super majority (two-thirds of the ten voting members) would be seven votes and a simple majority would be six votes. Mr. Taylor noted that the size of the majority would change if the size of the Committee were increased. Ms. Comes mentioned that she had been in discussions with the FASAB Steering Committee about possibly increasing the size of the AAPC, but nothing definitive had been decided as of yet.

Mr. Lund asked if it would be appropriate for the AAPC to implement a super voting structure when the FASAB follows a simple majority practice. Ms. Comes noted that a one vote difference between the simple and super majorities would not normally make a substantial difference in the validity of the vote outcome.

Mr. Taylor noted that there was a benefit to a super majority in that it added more credability to the voting. He also stated his beliefs that FASAB should also follow a super majority structure.

Mr. James agrees with a super majority, but is opposed to increasing the AAPC membership in size.

Ms. Comes informed the Committee that the reason the issue of size is being considered is because of a request from a legislative branch agency at recent a FASAB public hearing to be more closely involved in the work of the Board and the AAPC. Another factor is the passage of the Accountability for Tax Dollar Act which requires an additional 77 agencies (many of which are smaller agencies) to prepare audited financial reports.

Mr. Maharay agrees with a super majority and no change in the size of the Committee. Mr. McFadden agrees with a simple majority and no change in the size of the Committee. Mr. Campbell agrees with a super majority and no change in the size of the Committee. He did suggest that the Committee could actively seek more involvement from the smaller agencies and the legislative branch agencies. Mr. Dingbaum agrees with the simple majority and no change in the size of the Committee. Mr. Lund agrees with the simple majority and no change in the size of the Committee. Ms. Krell agrees with the super majority and no change in the size of the Committee. She also stressed the importance of involving the smaller agencies by actively seeking comments from them and including them on task forces. Ms. George agrees with the super majority and no change in the size of the Committee.

Mr. Maharay asked if the scope of the AAPC could be broadened to include areas beyond implementation issues (e.g., A-123 guidance). Ms. Comes explained that the AAPC is a sub-committee of the FASAB which establishes accounting standards. Therefore, the auditing issues that are addressed by the AAPC are referred to GAO and the PCIE for issuance in the FAM. Ms. Comes asked the Committee if they would like to see the scope of the AAPC expanded beyond implementation guidance to include areas where there currently were no standards in place. Ms. George suggested possibly streamline the process for the issuance of guidance. Ms. Comes pointed out the use of Staff Implementation Guidance that could take as little as 5-6 months. Ms. Comes asked the Committee if they would consider a process where by draft guidance was prepared for the Committee to review and the relevant parties would make a presentation to the Committee and be available to answer questions and then be prepared to vote at the end of the discussion. Ms. Comes pointed out that the flurry of requests would most likely come during the October – November time period when members are busiest. She also suggested the AAPC possibly hosting free educational forums offering CPEs during the non-busy time period so that the community would become more familiar with AAPC.

Mr. Maharay volunteered to chair the AAPC Charter and Operating Procedures Review Committee. Mr. Campbell and Ms. Krell also volunteered to work on the committee.

- **Project Agenda Status**

Appropriated Debt

Ms. Valentine, FASAB staff member, updated the Committee on the current status of the appropriated debt issue that was previously discussed by the AAPC. She provided the Committee with a letter from David Zavada, OMB's Chief of the Financial Standards and Grants

Branch, addressed to the CFO's of both the Departments of Energy and Interior. The letter relayed to the agencies OMB's concurrence with the majority position reached by AAPC at its November 2004 meeting. That position was that Energy would recognize a liability and Interior would recognize a receivable for the funds received by Energy's Western Area Power Administration (WAPA) from Interior's Bureau of Reclamation (BOR).

Ms. George also mentioned that she was working with someone in their (OMB) budget review division and both agencies to work out some of the details of the reporting requirements.

Inter-Entity Cost

Ms. Valentine informed the Committee of the current status of FASAB's inter-entity cost project. She mentioned that the FASAB has approved for release its exposure draft (ED) on inter-entity implementation that amends certain requirements in SFFAS 4, *Managerial Cost Accounting*. The proposed standard is now in the 90-day review period with the FASAB Sponsors awaiting final issuance. That final issuance of SFFAS 30 is expected in August 2005. Ms. Valentine also pointed out to the Committee that in the proposed standard the FASAB specifically enlists the assistance of the AAPC in providing guidance for the full implementation of inter-entity costing. The FASAB asks that the AAPC reconvene its inter-entity task force to address specific issues surrounding implementation.

Ms. Valentine also provided the Committee with the Board's guidance plan for the implementation of inter-entity cost. The plan stated that "the Board believes that the task force could build upon their already extensive survey results and research, as well as the comment letters and staff analysis in developing the guidance. Additionally, the task force may wish to solicit volunteers from the agencies that provided comments to the ED for assistance. Also, volunteers could be requested from agencies that successfully implement Interpretation Number 6, Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4 considering the effective date for this was for periods beginning after September 30, 2004. Communication during the development of the draft TR should encourage identification of cases at individual agencies as well as soliciting feedback on draft guidance."

Mr. Taylor agreed to once again chair the task force and reconvene the group to begin work on the guidance. Ms. Comes suggested the use of a web-based survey as a tool in assisting the task force efforts. Mr. Taylor agreed to make use of the tool once the survey was compiled by the task force. Mr. Taylor reiterated the importance of involving the smaller Federal agencies in the task force efforts. Ms. Comes also suggested contacting some of the original authors of SFFAS 4 to participate in the task force.

Heritage Assets and Stewardship Land

Ms. Valentine informed the Committee of another FASAB proposed standard that will also involves AAPC assistance with implementation guidance. Ms. Valentine provided the Committee with a summary of proposed SFFAS 29 *Heritage Asset and Stewardship Land* (HA/SL) along with the draft guidance prepared by the AAPC HA/SL task force back in 2001. Ms. Comes stated that this proposed standard was at the end of both its 90-day FASAB sponsor

review and its 45-day review period with Congress. Both of the review periods are expected to end in July 2005. Ms. Valentine noted that the Board would like the AAPC to reconvene its task force to complete its work on the HA/SL implementation guidance. The draft guide includes both accounting and auditing guidance that will be separated. The accounting guidance would be issued as a technical release and the auditing guidance would be passed on to GAO and the PCIE to be incorporated into the FAM. Ms. Krell emphasized the need to complete the accounting guidance before beginning work on the audit guidance. Ms. George noted that she would like to see in the guidance examples of types of land measurements, other than acres, that could be disclosed in the financial reports.

Ms. Comes mentioned that she has had contact with individuals from the Department of Defense that have implementation questions about heritage assets and could be contacted to participate in the task force. She also asked for a volunteer from the Committee to chair the task force. Ms. Krell said that she would consider chairing the task force, but would first have to get clearance from GAO's management. Ms. George also agreed to co-chair the task force.

- **Agenda Committee Report**

No issues. Mr. Maharay suggested possibly sponsoring a few of the educational forums that Ms. Comes talked about earlier in the meeting. Ms. Comes suggested starting with a forum that explains how GAAP works in the Federal arena. Mr. Taylor mentioned that the CFO Council's Policy and Practices Committee may be referring some issues to the AAPC for guidance.

- **New Business**

There were no new items raised.

- **Next Meeting**

The next meeting will be scheduled.

Adjournment

The meeting was adjourned at 2:10 PM.